MCI's Bill McGowan on the Changing Role of a Chief Executive
Professional Services: Creating a Company, Not Just a Job

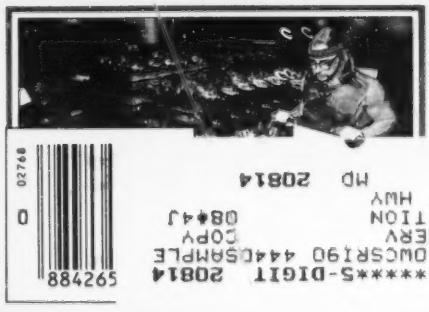
THE MAGAZINE FOR
GROWING COMPANIES

AUGUST 1986
$3.00

Inc.®

THE TURNAROUND

How a Dying Division of International Harvester Became One of America's Most Competitive Small Companies



02768 0 884265
*144F**********S-DIGIT 20814
460541 450 OWCSR190 444CSAMPLE
SRI ACQUISITION COPY
4500 E WEST HWY 08441
BETHESDA MD 20814

CONTENTS

FEATURES

42 The Turnaround *BY LUCIEN RHODES, WITH PATRICIA AMEND*
How a dying division of International Harvester became one of America's most competitive companies.

51 A SPECIAL REPORT: THE 1986 WHITE HOUSE CONFERENCE ON SMALL BUSINESS
Marching on Washington, '80s Style *BY JAY FINEGAN*
Will this be the small-business conference that finally figures out the difference between being small and thinking small?

56 PROFESSIONAL SERVICES
Beyond the Billable Hour *BY TOM RICHMAN*
How to get to the point where you have more to sell than the founder's time.

63 Young Founders *BY NELSON W. ALDRICH JR.*
If entrepreneurship were a political movement, these would be its hard-liners—single-minded, successful, and a little bit scary.

68 The Est Factor *BY GREG CRITSER*
Behind the rise and fall of ComputerLand's Bill Millard was a corporate culture that became a corporate cult.

79 How to Hire a CFO *BY CURTIS HARTMAN*
Sooner or later every company needs one. Then it needs a replacement.

COLUMNS

23 On the Road: So You Want to Own a TV Station. *BY SETH ROLBEIN*
Ted Turner didn't knock over CBS. But he's done a hell of a job on Don Moore.

87 Selling: Getting Ready for Show Time. *BY RICHARD KREISMAN*
Trade shows are great places for selling, provided you come prepared.

91 The Law: Look Before You Lease. *BY MARISA MANLEY*
You can save your company a lot of grief by paying close attention to the fine print of your lease.

95 Finance: The Case of the Disappearing Inventory. *BY CHARLES W. KYD*
Don't look now, but what you see on your books may be a lot less than what you have in your plant. Here's why.

DEPARTMENTS

7 Letters: Clean Up, Not Clear Out, the SBA; Profiles in Company Building; Farm Aid; AT&T: Opportunity Calling

13 Insider: Great Expectations; Taxing Matters; Blue Highways; Wheel of Misfortune; Babies

28 Face-to-Face: MCI Founder Bill McGowan

85 Hands on: A Manager's Notebook

108 Investing in Growth Companies/Street Talk

INC. COVER STORY

42 The Turnaround
Jack Stack has breathed life into a dying company

51 Washington
Will small business get some respect?

56 Billable Hour
Equal partners at The Waggener Group

COVER PHOTOGRAPHS
by
Steven Pumphrey

COPYRIGHT © 1986 BY INC. PUBLISHING CORPORATION All rights reserved. Editorial and executive offices at 38 Commercial Wharf, Boston, MA 02110. INC. (ISSN 0162-8968) is published monthly by Inc. Publishing Corporation, 38 Commercial Wharf, Boston, MA 02110. Subscription rate for U.S. and Possessions, 12 issues $24. All subscription correspondence should be addressed to INC. magazine, P.O. Box 54129, Boulder, CO 80322-4129. Please allow at least six weeks for change of address. Include your old address as well as new, and enclose if possible an address label from a recent issue. Second class postage paid at Los Angeles, Calif., and additional mailing offices. Postage paid at Mississauga, Ontario. POSTMASTER: Send address changes to INC. magazine, P.O. Box 54129, Boulder, CO 80322-4129. Material in this publication must not be stored or reproduced in any form without permission. Requests for permission should be directed to Permissions Coordinator, INC., 38 Commercial Wharf, Boston, MA 02110. Inc. is a registered trademark of Inc. Publishing Corporation.

BLUE HIGHWAYS

Crumbling America Will Draw Rebuilding Funds

AMERICA'S ROADS ARE CRUMbling. More than 40% of its bridges need repair or improvement. Many regions will soon face water shortages. All of which is great news for companies large and small.

The country's neglected infrastructure—public works in old-fashioned parlance—may soon provide a huge market for companies that do engineering studies, repair roads, or build water systems and power plants. "What will be moving these markets forward is the real economic penalty the economy in general pays for neglect of these systems," says Richard F. Rossi, a Merrill Lynch analyst.

Within a decade, he predicts, public-works expenditures will rise from around 2% of the gross national product to about 4%, the level in 1965. Rossi estimates total spending will be at least $1 trillion over the next 10 years. The government reports that bridges and roads alone will need $720 billion in repairs by the year 2000.

Highways will get the first attention. Taking advantage of falling gasoline prices, about 20 states are considering gasoline-tax hikes to fund highway projects. One now under way and paid for mostly with federal money is a three-year, $175-million rehabilitation of Philadelphia's Schuylkill Expressway. Five contractors and more than 100 subcontractors are repairing 17 miles of highway, including 50-odd bridges. The project is estimated to create 4,600 on- and off-site construction jobs and 5,800 new jobs at local stores and other businesses.

Further off but probably larger in scope will be work on water and sewage systems. Rossi estimates that annual spending will rise from about $15 billion today to $30 billion or $40 billion by 2000. —*V.I.P.*

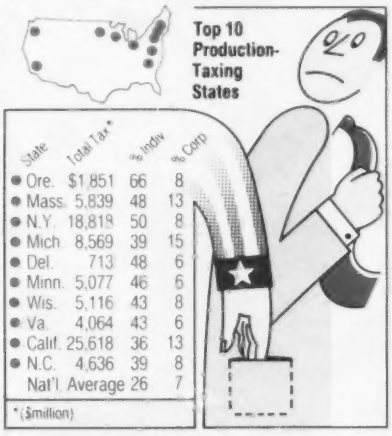
FPG/DEZOTELL

SCORECARD

TAXING MATTERS

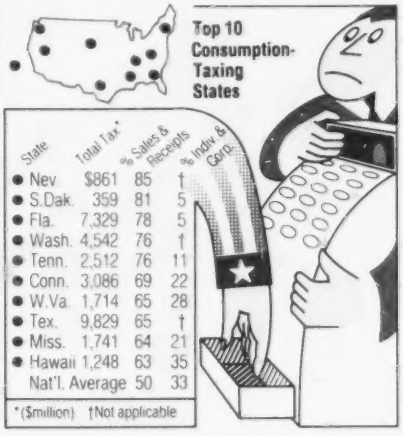
IF YOUR STATE WANTED TO RAISE revenue, where would it hit you—at the cash register or in personal and corporate income taxes?

States tend to fall into two camps: those that tax consumption through sales and excise taxes and those that tax production through corporate and personal income taxes. Where a state chooses to raise its revenue depends somewhat on its economic structure. States with strong industrial bases tend to tax income, while tourist havens such as Hawaii, Nevada, and Florida fill their coffers by taxing purchases. Here are the top 10 states in each category, based on 1984 U.S. Census Bureau figures. —*V.I.P.*



State	Total Tax*	% Indiv.	% Corp.
Ore.	$1,851	66	8
Mass.	5,839	48	13
N.Y.	18,818	50	8
Mich.	8,569	39	15
Del.	713	48	6
Minn.	5,077	46	6
Wis.	5,116	43	8
Va.	4,064	43	6
Calif.	25,618	36	13
N.C.	4,636	39	8
Nat'l. Average		26	7

*($million)



State	Total Tax*	% Sales & Receipts	% Indiv. & Corp.
Nev.	$861	85	†
S.Dak.	359	81	5
Fla.	7,329	78	5
Wash.	4,542	76	†
Tenn.	2,512	76	11
Conn.	3,086	69	22
W.Va.	1,714	65	28
Tex.	9,829	65	†
Miss.	1,741	64	21
Hawaii	1,248	63	35
Nat'l. Average		50	33

*($million) †Not applicable

NIGEL HOLMES

WHEEL OF MISFORTUNE

Japanese Carmakers Tow Suppliers Behind Them

TOPY CORP. ISN'T QUITE REINVENTing wheels, but it is making them differently. About five months ago, the Japanese-owned company began making steel wheels in Kentucky, midway between Nissan and Honda's U.S. operations. "Topy was supplying them in Japan," says James Burch, industrial relations manager. "When the carmakers moved, we moved with them."

In the next three years, at least 40 Japanese parts makers will park new plants in the Rustbelt. They are tailgating the major Japanese automakers, which will be able to assemble over 1.5 million cars here annually by 1990. Carmakers are close to their suppliers in Japan, so the transplants are assured of contracts. "They are guaranteed a certain volume, so they can come here with less risk," says James Mateyka, a vice-president of Booz, Allen & Hamilton Inc.

The flood of foreign suppliers means an even greater drought for roughly 8,000 domestic companies, who are already hurting because of imports. Many suppliers fear that they won't be able to compete with their new rivals' more advanced factories, which can turn out quality parts at low prices. In response, some big suppliers are even forming partnerships with Japanese competitors. Sheller-Globe Corp. and PPG Industries Inc. are building state-of-the-art factories with Japanese partners. Warner-Ishi Corp., a joint venture between Borg-Warner Corp. and Ishikawajima-Harima Heavy Industries Co., recently won a contract to make turbochargers here for Ford Motor Co.

But few small suppliers have the know-how to attract partners. "If you're a small, regional supplier with no connection to Japan, this is really going to hurt you," says Jim Clyde, manager of business development at Garrett Automotive Products Cos., another of Ford's turbocharger suppliers.

KENNETH HAYDEN

Japanese suppliers aren't going to be satisfied with their traditional lot, either. Some will start selling replacement parts for the many aging Japanese cars here. Others are making overtures to the Big Three. "Any of the automotive companies are our potential customers," states Burch. "We have the capacity for plenty more." —*Joshua Hyatt*

INSIDER (continued)